This document is scheduled to be published in the Federal Register on 03/16/2023 and available online at **federalregister.gov/d/2023-05368**, and on **govinfo.gov**

DEPAR

Internal Revenue Service

Superfund Chemical Substance Tax; Request to Modify List of Taxable Substances; Filing of Petition for Cellulose Acetate (Degree of Substitution = 1.5 – 2.0)

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of filing and request for comments.

SUMMARY: This notice of filing announces that a petition has been filed pursuant to Revenue Procedure 2022-26, 2022-29 I.R.B. 90, requesting that cellulose acetate (degree of substitution = 1.5 – 2.0) be added to the list of taxable substances under section 4672(a) of the Internal Revenue Code ("Code"). This notice of filing also requests comments on the petition. This notice of filing is not a determination that the list of taxable substances is modified.

DATES: Written comments and requests for a public hearing must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Commenters are encouraged to submit public comments or requests for a public hearing relating to this petition electronically via the Federal eRulemaking Portal at http://www.regulations.gov (indicate public docket number IRS-2023-0010 or cellulose acetate (degree of substitution = 1.5 – 2.0)) by following the online instructions for submitting comments. Comments cannot be edited or withdrawn once submitted to the Federal eRulemaking Portal. Alternatively, comments and requests for a public hearing may be mailed to: Internal Revenue Service, Attn: CC:PA:LPD:PR (Notice of Filing for Cellulose Acetate (Degree of Substitution = 1.5 – 2.0)), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington D.C. 20044. All comments received are part of the public record and subject to public disclosure. All comments received will be posted

without change to www.regulations.gov, including any personal information provided. You should submit only information that you wish to make publicly available. If a public hearing is scheduled, notice of the time and place for the hearing will be published in the Federal Register.

FOR FURTHER INFORMATION CONTACT: Please contact Amanda F. Dunlap, (202) 317-6855 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

(a) Overview. The petition requesting the addition of cellulose acetate (degree of substitution = 1.5 – 2.0) to the list of taxable substances under section 4672(a) of the Code is based on weight and contains the information detailed in paragraph (b) of this document. The information is provided for public notice and comment pursuant to section 9 of Rev. Proc. 2022-26. The publication of petition content in this notice of filing does not constitute Department of the Treasury or Internal Revenue Service (IRS) confirmation of the accuracy of the information published.

Pursuant to section 10.02 of Rev. Proc. 2022-26, the IRS and Petitioner agreed to extend the 180-day determination.

(b) Petition Content.

(1) **Substance name:** Cellulose acetate (degree of substitution = 1.5 – 2.0)

According to the petition, the commonly used names of the substance include:

Cellulose acetate
Cellulose diacetate

(2) **Petitioner:** Celanese Ltd., an exporter of cellulose acetate (degree of

substitution = 1.5 – 2.0)

(3) **Proposed Classification Numbers:**

HTSUS numbers:	5502.10.0000
	5403.33.0020
Schedule B numbers:	5502.10.0000
	5403.33.0000
CAS number:	9035-69-2

(4) **Petition Filing Date:** December 20, 2022

Petition filing date for purposes of section 11.02 of Rev. Proc. 2022-26: July 1, 2022

(5) **Brief Description of the Petition:** According to the petition, cellulose acetate (degree of substitution = 1.5 – 2.0) is a biopolymer obtained by the reaction of wood pulp with acetic anhydride. It can be injection molded into various shapes and may be used as a filter medium, film base, coating, and articles such as straws, and eyeglass frames. The substance is normally imported and exported in quantities and packaging for industrial use only.

Cellulose acetate (degree of substitution = 1.5 – 2.0) is made from cellulose (wood pulp) and methane. The production process is a reaction of cellulose (from wood pulp) with acetic anhydride, normally using a solvent such as acetic acid and a strong acid such as sulfuric acid as a catalyst.

The degree of substitution (DS) is the number of acetate groups on each cellulose ring. Each cellulose ring has three (3) places where an acetate can be attached, so DS can range from zero to three (0-3). Cellulose diacetate is the general descriptive term used in commerce, primarily to distinguish the substance from cellulose triacetate. These terms are not intended to quantitatively state that one has a DS = 2.0 and the other a DS = 3.0.

The petition covers cellulose acetate (degree of substitution = 1.5 – 2.0), commonly referred to as cellulose diacetate. Cellulose acetate in this range generally has similar properties. The petition uses the lowest end of the range cellulose acetate DS = 1.5 to demonstrate that >20% of the substance is made from taxable chemicals, and the midpoint cellulose acetate DS = 1.75 to calculate the tax rate for the entire range.

(6) **Process Identified in Petition as Predominant Method of Production of Substance:** Cellulose acetate is derived from cellulose by deconstructing wood pulp into a purified cellulose. The cellulose is reacted with acetic acid and acetic anhydride in the presence of sulfuric acid. It is subjected to a controlled, partial hydrolysis to remove the sulfate and a sufficient number of acetate groups to give the product the desired degree of substitution. The polymer unit is the fundamental repeating structure of cellulose and has three hydroxyl groups which can react to form acetate esters. The most common form of cellulose acetate fiber has an acetate group on approximately two of every three hydroxyls, referred to as cellulose diacetate. In Petitioner's cellulose acetate, the actual substitution is 1.674 acetate/cellulose, a degree of substitution commonly used in

US cellulose acetate production.

(7) **Stoichiometric Material Consumption Equation, Based on Process Identified as Predominant Method of Production:**

$3.5\ CH_4 + 1.75\ O_2 + C_6H_{10}O_5 \rightarrow C_{9\cdot5}H_{13.5}O_{6.75} + 3.50\ H_2 + 1.75\ H_2O$

(8) **Rate of Tax Calculated by Petitioner Based on Petitioner's Conversion Factors for Taxable Chemicals Used in Production of Substance:**

Calculation of Tax Rate using mid-point cellulose acetate DS = 1.75
Rate of Tax: $1.65 per ton
Conversion Factor: 0.24 methane

(9) **Public Docket Number:** IRS-2023-0010

Stephanie Bland,

Branch Chief (Passthroughs and Special Industries),

IRS Office of Chief Counsel.

[FR Doc. 2023-05368 Filed: 3/15/2023 8:45 am; Publication Date: 3/16/2023]